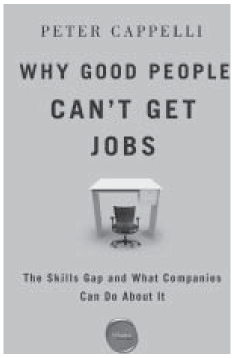

Why Good People Can't Get Jobs
Peter Cappelli
Reviewed by Julianne Stern

In a slim new volume, *Why Good People Can't Get Jobs*, Wharton management professor Peter Cappelli argues that there is a market failure in how firms match up their demand for work with the supply of skills. The underlying problem that occupies most of Cappelli's analysis is that the tight labor market of the 1990s gave employers the luxury of defaulting to what he calls a "Home Depot" approach to jobs, where firms see workers as interchangeable, readily available replacement parts. Implicit in this approach are the ideas that a job description is static and that a job candidate should be able to "hit the ground running," an ability which candidates demonstrate to hiring managers (or software) primarily by having performed the exact same duties in a previous job. The deleterious role of hiring systems has been the most widely discussed element of Cappelli's argument. But this automation and concomitant reduced analytical capability of human resources departments is only a symptom of a bigger problem with how firms define and identify worker skill requirements.

Cappelli challenges employers' expectation that candidates should be able to hit the ground running on day one by describing an essential fallacy of the skills mismatch hypothesis: the standard prescription for closing the skills gap is better and more accessible education, but the skills employers say they lack are overwhelmingly not skills learned in the classroom, or even skills particularly related to new types of jobs. Rather, employers report the biggest deficits in soft skills, while technical skills and specialized computer/IT skills actually rank quite low. These soft skills, Cappelli argues, are precisely those that are best learned on the job. Cappelli presents a compelling economic rationale for firms to “make” rather than “buy” desirably skilled workers. Firms employ sophisticated analysis to the evaluate the “make vs. buy” decision for almost every input besides labor; but since it is difficult to estimate the value-added of a particular employee, firms frequently lack the tools and expertise to compare the cost of leaving the position vacant during a long search with the cost of simply training an otherwise skilled candidate.

But a deeper issue with the “Home Depot model,” which Cappelli touches on only in passing, is the difficulty that hiring managers have in identifying skill requirements for vacant positions. While the problem is compounded by interactions between multiple hiring managers and perfunctory HR systems (including hiring software systems), the fundamental sticking point is the unwillingness of managers at many firms to think critically about what combination of skills is actually necessary to make a candidate successful. All too often, candidates are screened based on academic qualifications which, as discussed above, match up poorly with the skills that employers say are most important and in shortest supply in the new economy.

What Cappelli does not say is that, especially in service and creative sectors, managers frequently do not have a very clear idea to begin with of how their subordinates do their jobs or what skills make them successful. This deficiency, which underlines the degree to which the skills gap is perceived vs. real, is an important leverage point for institutions like workforce intermediaries which focus on closing the gap. While Cappelli’s data, anecdotes, and analysis provide innovative food for thought for workforce planners, he does not push his analysis very far into the realm of creative policy solutions. This provocative and readable volume is ultimately only a starting point to help workforce planners begin to unpack perceptions of the skills gap.

Julianne Stern is a first-year student earning a dual degree from DCRP and UNC’s Kenan-Flagler Business School, specializing in economic and workforce development. Previously, she worked in Washington, D.C. at the German Marshall Fund.